

Talking Points for

NACDS Speech

8/28/88

Background Information on Medicare Catastrophic Drug Benefit:

Premiums

The monthly premium paid by all Part B enrollees will be increased by an amount that will cover 37% of the total cost of the drug benefit. Projected monthly premiums for the drug benefit are: 1991- \$1.95; 1992- \$2.45; 1993- \$3.00.

A "supplemental premium" will be implemented as part of an individual's tax return. For the first time, premiums for Medicare will be based on income. All Part A eligible individuals will pay. The maximum premium in 1993 is \$1050 a year. Most beneficiaries will pay very little because their income is so low. The supplemental premium will cover 63% of the total cost of the drug benefit.

Payment Limits

Medicare will reimburse a pharmacist for dispensing a drug at the lower of (1) the pharmacist's actual charge for the drug, or (2) the payment limit for that drug.

The payment limit differs for each drug. For a brand name drug,

the payment limit is the lower of (1) the 90th percentile of all charges by pharmacists for the same drug, or (2) the "average wholesale price" of the drug plus the administrative allowance of \$4.50.

For a generic drug, the payment limit is the median (middle) average wholesale price of all the generic companies' average wholesale prices plus the administrative allowance of \$4.50.

The "average wholesale price" for both brand and generic is not the AWP published by the brand or generic company. It is derived from a survey by HCFA of wholesalers around the country.